

Message Text

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PAGE 01 LIMA 11294 151818Z
ACTION SS-25

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C O N F I D E N T I A L LIMA 11294

EXDIS

E.O. 11652: GDS
TAGS: ENRG, PE
SUBJECT: OPEC PRICE DECISION

REF: A. STATE 301173, B. LIMA 10576

1. ECON OFFICER DECEMBER 14 PRESENTED ECONOMIC ARGUMENTS
ON OIL PRICE ISSUE PER REF A TO CHIEF OF FOREIGN MINISTRY'S
OFFICE OF ECONOMIC AFFAIRS, FERNANDO GUILLEN (UNDER SECRETARY
STUBBS IS ON LEAVE), AND EXPRESSED VIEW THAT IT WOULD BE
USEFUL FOR GOP TO MAKE KNOWN TO OPEC ITS CONCERN WITH EFFECTS
ON PERU OF PETROLEUM PRICE INCREASE.

2. GUILLEN EXPRESSED AWARENESS OF EARLIER SMITH/STUBBS CON-
VERSATION ON ISSUE (REF B) AND SAID THAT GOP POSITION REGARD-
ING A PERUVIAN APPROACH TO OPEC HAD BEEN STATED IN LETTER
FROM PFONMIN DE LA PUENTE TO SECRETARY KISSINGER TRANSMITTED
THROUGH PERUVIAN EMBASSY IN WASHINGTON RESPONDING TO EARLIER
KISSINGER/DE LA PUENTE LETTER (REF A). (GUILLEN COULD NOT
SAY WHEN DE LA PUENTE LETTER HAD BEEN SENT TO PERUVIAN
EMBASSY, BUT HE THOUGHT
IT SHOULD HAVE BEEN TRANSMITTED
TO DEPARTMENT BY NOW.) GUILLEN PROVIDED COPY OF LETTER
TO ECONOFF ON "UNOFFICIAL" BASIS.

3. WHILE LETTER STATES THAT EFFECTS OF PROBABLY OIL PRICE
RISE WORRIES GOP AND THAT GOP "WILL CONSIDER THE QUESTION
AND WILL ACT IN ACCORDANCE WITH ITS NATIONAL INTERESTS
AND THE PRINCIPLES OF ITS FOREIGN POLICY", THE GREATER
PART OF THE LETTER IS DEVOTED TO EXPOSITION OF PERU'S POSI-
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TION REGARDING THE NEED FOR A CHANGE IN THE EXISTING

INTERNATIONAL ECONOMIC ORDER. (WE ASSUME DEPARTMENT ALREADY HAS TEXT OF LETTER. IF NOT, WE WILL BE GLAD TO TRANSMIT BY CABLE UPON NOTIFICATION.) GUILLEN SAID THAT GOP WOULD NOT MAKE ANY REPRESENTATION CONCERNING OIL PRICE RISE TO OPEC MEMBERS.

4. IN DISCUSSION OF ISSUE, GUILLEN SAID THAT APPROPRIATE TIME FOR REPRESENTATIONS TO OPEC WOULD HAVE BEEN DURING CIEC SESSIONS. WHEN ECON OFF ASKED WHETHER GUILLEN MEANT THAT LDC'S VIEW PROGRESS (AS DEFINED BY THEM) AT CIEC AS QUID PRO QUO FOR THEIR PUTTING PRESSURE ON OPEC TO HOLD OIL PRICE LINE, GUILLEN DEMURRED. HE SAID THAT ALL HE HAD MEANT WAS THAT CIEC PROVIDKR CONVENIENT OPPORTUNITY FOR SEVERAL OIL-IMPORTING LDC'S TO PRESENT THEIR CONCERNS TO SEVERAL OPEC MEMBERS, WHEREAS REPRESENTATION NOW WAS MORE LIKELY TO BE DONE INDIVIDUALLY BY LDC'S AND WOULD HAVE LESS WEIGHT.

5. COMMENT: DESPITE GULLEN'S DEMURRAL ON THIS POINT, IT ALZEARS THAT GOP STILL SEES OPEC OIL AS AN IMPORTANT INSTRUMENT TO EXERT LEVERAGE ON DEVELOPED COUNTRIES AT CIEC AND OTHER NORTH/SOUTH FORA. ON OTHER HAND, GOP OFFICIALS REALIZE ANY PRICE RISE WILL HAVE SERIOUS EFFECT ON GOVERNMENT'S EFFORTS TO REACTIVATE ECONOMY. MOREOVER GOP ALSO HAS SOME INTEREST IN DEMONSTRATING TO U.S. ITS WILLINGNESS TO BE HELPFUL ON CERTAIN ISSUES. IT IS CLEAR THAT GOP FACES A DILEMMA ON THIS ISSUE. AT PRESENT TIME, HOWEVER, PRINCIPAL FOREIGN MINISTRY ECONOMIC POLICY MAKERS (INCLUDING GUILLEN) ARE MORE INCLINED TO TAKE MODERATE THIRD WORLD POSITION, EVEN IF IT MAY BE DISADVANTAGEOUS TO PERU. DEAN

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